

FISCAL NOTE

HB 628 - SB 996

February 12, 2005

SUMMARY OF BILL: Reduces the state sales tax on food from six percent to three percent, effective July 1, 2006.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$210,000,000

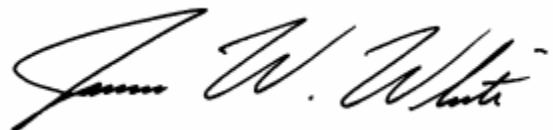
Decrease Local Govt. Revenues - \$8,900,000

Assumptions:

- Taxable sales of food and food ingredients in Tennessee are estimated at approximately \$7.0 billion per year.
- Annual state sales tax revenue on food is estimated at \$420.0 million at the current state tax rate of 6%.
- Reducing the sales tax rate on food by 50% reduces state revenues approximately \$210.0 million per year.
- 4.2462% of state sales tax revenue is appropriated to the municipalities within Tennessee.
- Reducing state sales tax revenue by \$210,000,000 reduces local government revenue by \$8,917,020 ($\$210,000,000 \times 4.2462\% = \$8,917,020$) from reduced allocation of state sales taxes to local governments.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director